

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** May 31, 2011  
**POSITION:** Oppose

**BILL NUMBER:** SB 493  
**AUTHOR:** A. Padilla

### **BILL SUMMARY:** State Surplus Property

This bill, an urgency measure, would allow state agencies to sell surplus computers for less than fair market value to nonprofit entities partnering with school districts to operate public computer centers.

### **FISCAL SUMMARY**

The Department of General Services (DGS) estimates this bill would require \$50,000 to support one position to develop and implement a certification process for each state agency regarding the proper elimination of confidential or sensitive data from surplus PCs and to establish a procedure for state agencies with surplus computers to determine if eligible nonprofits are interested in purchase of surplus PCs. Any request for additional expenditure authority is subject to review and approval through the annual budget process.

To the extent that surplus PCs are purchased by nonprofit entities, the DGS could experience a reduced level of auction revenue from the sale of PCs to the public. Any auction revenue beyond the cost incurred by DGS to sell property is returned to departments, presumably helping to offset operating costs. Since it is unknown how many PCs would be purchased by the grantees, the DGS is unable to forecast the impact to revenue.

### **COMMENTS**

The Department of Finance opposes this bill for the following reasons:

- This bill is unnecessary as current law allows for school districts to receive PCs. Upon receipt, the PCs become property of the school district and could be given to public computer centers.
- Would result in additional costs that are not included in the Administration's current fiscal plan.
- Will reduce DGS auction revenues.
- Sets a precedent of selling state surplus property at below market value to non-state entities.

Current law requires the DGS to first offer state surplus personal property to school districts, prior to offering that property to the public, as specified. If determined by the director of DGS that it is in the state's best interest, property offered to school districts may be priced at less than fair market value.

This bill would allow state agencies to sell surplus PCs, at less than fair market value, to nonprofit entities operating a public computer center, in partnership with a school district.

Currently, school districts purchase approximately 260 surplus PCs, or about 2 percent, annually. Departments are able to sell the PCs to the districts directly and report the sale to DGS. Once a school district purchases a surplus PC, the school district can do as it wishes with the PC, including donating it to nonprofit entities for use in a public computer center. However, since operating systems and software are removed from the surplus PCs prior to sale, it is generally more cost effective for schools to purchase new PCs, which are functional and under warranty. This being the case, it is uncertain that the nonprofit entities

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Analyst/Principal (0242) J. Sturges	Date	Assistant Program Budget Manager	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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